



OFFICE OF
INSURANCE COMMISSIONER

IN THE MATTER OF

WARRANTECH AUTOMOTIVE, INC.,

Authorized Service Contract Provider.

ORDER NO. 12-0045

CONSENT ORDER LEVYING A FINE

The Insurance Commissioner of the State of Washington, pursuant to the authority set forth in RCW 48.02.080 and RCW 48.110.130, and having reviewed the official records and files of the Office of the Insurance Commissioner ("OIC"), makes the following:

FINDINGS OF FACT:

1. OIC received a complaint from a consumer who purchased a vehicle service contract. The Service Contract Provider, Warrantech Automotive, Inc. ("Warrantech"), is registered in Washington.
2. The contract form purchased by the complainant was neither filed nor approved in Washington. Warrantech did not intend this policy to be sold in Washington. However, it sold these contracts through a direct marketing company called Cardinal Assurance Corp. ("Cardinal"). Cardinal is a Nevada-domiciled, marketing company not licensed in Washington.
3. Warrantech did instruct Cardinal not to sell these contracts in Washington, and Cardinal did have a computer block in place that was intended to prevent Washington sales. However, it was possible to get around this block by entering the correct address and zip code, but the wrong state. A Cardinal employee sold four contracts to Washington residents in this manner.
4. Warrantech accepted this business and issued the contracts, despite their not being approved for sale in Washington. Only one of these Washington auto service contracts is currently active.
5. Cardinal has now strengthened the block so that its system will not accept Washington zip codes, but Warrantech has since severed its relationship with Cardinal.

CONCLUSIONS OF LAW:

1. By using, issuing, delivering, selling and marketing service contracts covering motor vehicles in Washington which had not been filed and approved, Warrantech violated RCW 48.110.073.
2. RCW 48.110.130(1)(a) authorizes OIC to suspend or revoke Warrantech's registration for these violations. Under subsection (3) of that statute, OIC may substitute a fine for these violations of no more than two thousand dollars per violation.

CONSENT TO ORDER:

Warrantech Automotive, Inc., acknowledging its duty to comply fully with the applicable laws of the State of Washington, consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings. The Insurance Commissioner consents to settle the matter in consideration of the Company's payment of a fine and such terms and conditions as are set forth below.

1. Warrantech consents to the entry of this Order, waives any and all hearing rights, and further administrative or judicial challenges to this Consent Order.

2. By agreement of the parties, the Insurance Commissioner will impose a fine of \$2,000, on the conditions that:

- a. Within thirty days of the entry of this Order, Warrantech pays \$2,000.
- b. Warrantech commits no further violations of the statutes and regulations that are the subject of this Order.
- c. Warrantech understands and agrees that any future failure to comply with the statutes and regulations that are the subject of this Order constitutes grounds for further penalties, which may be imposed in direct response to further violation.

3. Warrantech's failure to timely pay this fine and to adhere to the conditions shall constitute grounds for revocation of Warrantech's Certificate of Registration, and shall result in the recovery of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

EXECUTED this 3rd day of March, 2012.

WARRANTECH AUTOMOTIVE, INC.

By: 

Printed Name: Sean E. Stapleton

Typed Corporate Title: President + CEO

ORDER

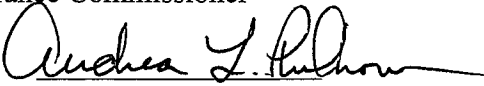
Pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby orders as follows:

1. Warrantech Automotive, Inc. shall pay a fine in the amount of \$2,000 on the condition that the Company fully comply with the laws and regulations of the State of Washington which are the subject of this Order.

2. Warrantech's failure to pay the fine within the time limit set forth above shall result in the revocation of its Certificate of Registration and in the recovery of the amount of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT TUMWATER, WASHINGTON, this 9th day of March, 2012.

MIKE KREIDLER
Insurance Commissioner

By 
Andrea L. Philhower
OIC Staff Attorney
Legal Affairs Division